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Before the
Federal Communications Commission
Washington, D.C. 20554

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FILE

In the Matter of

Amendment of the Commission's
Rules to Establish New Personal
Communications Services) GEN Docket No. 90-314
) ET Docket No. 92-100) RM-7140, RM-7175, RM-7617,
) RM-7618, RM-7760, RM-7782,
) RM-7860, RM-7977, RM-7978,
) RM-7979, RM-7980) PP-35 through PP-40, PP-79
) through PP-85

To: The Commission

COMMENTS OF PASS WORD, INC.

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Pass Word, Inc. ("Pass Word") respectfully files its comments in
the above-entitled proceeding. In support hereof the following is
shown:

Identity and Interest

1. Pass Word, Inc., is a radio common carrier serving communities
and areas in Idaho, and a as a private carrier paging licensee
serving communities in Central and Eastern Washington and Northern
Idaho. Pass Word intends to seek licenses for PCS stations.

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Policy Objective

2. It appears that CDMA and other technology offers the potential of high-capacity systems at "narrowband" allocations, i.e., 5 MHz or less. The 10-times-analog efficiency referred to in recent RCR and Industrial Communications News articles would provide capacities twice those of analog cellular systems at such allocations. This capacity multiplied by the potential number of allocations in each area offers the potential of a truly competitive market for local exchange service. This in turn could break the very real bottleneck of wireline local exchange service.

3. We have only to look at the results achieved in the long distance, airline, and trucking markets to see the benefits of competition from multiple service providers. The benefits of a truly competitive local exchange market are enormous. We may maximize choice of dial tone providers, obtain service at the lowest cost, and obviate the enormous burden of layers of state and federal regulation! It appears that this potential should be the objective of public policy for PCS.

Spectrum Allocation

4. Certain conclusions come from that vision. Maintaining a viable competitive industry structure is essential. It would be more beneficial to have more competitors than larger allocations per competitor, particularly since economies of scale at larger allocations are questionable.

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5. Pass Word submits that the consolidation costs and transaction costs referred to in paragraphs 56 and 57 are more the product of speculation over scarce spectrum fueled by debt financing than any real economies of scale. Certainly the operating results of McCaw Cellular, one of the largest cellular companies, do not suggest such economies (\$116 million operating income versus \$547.9 million in interest expense in 1991).

6. Therefore, it would be desirable to maximize the number of service providers competing with one another in an MSA, consistent with the foreseeable technology. At this point, 5 MHz seems to be the point to do so. It also appears that this works well from the standpoint of working with existing microwave licensees.

7. This would permit nine licensees in the 1850-1895 base and 1930-1975 mobile allocations. The 1895-1910 and 1975-1990 regions would provide spectrum for three additional licensees. It is requested that additional spectrum be similarly allocated from the regions above 1990 MHz to permit eight additional licensees for a total of 20 per area.

8. While increasing the number of competitors would have its own benefits, the larger number of allocations would help to reduce the gold rush fever by presumably reducing the incremental value of a license. It seems obvious, however, that many further measures would be necessary to keep the number of applicants manageable.

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Service Areas and Eligibility

9. Viewing the potential of PCS as primarily a local exchange service and desiring to maximize competition, it seems that licensing should be on an MSA by MSA basis; that nationwide licenses are inappropriate; and that a limit should be set on the number of wireless licenses that may be held by affiliated interests, both intra-MSA and inter-MSA. Likewise, the "affiliation" threshold should be set low, e.g., 5%.

Local-Exchange vs. Inter-Exchange

10. Similarly, the separation between AT&T and the regional Bells should be extended to Inter-Exchange Carriers and "Wireless Local Exchange Carriers" in general, whether cellular or PCS. At levels of loading where it becomes economically feasible, equal access should be required of wireless LECs.

11. Under this philosophy of competition, diversity, and choice, it would be highly questionable to permit a combination such as that of AT&T/McCaw, even with equal access. Such a combination appears to undo what has proven to be a very successful public policy and to remake mistakes that have been corrected at great cost.

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Eligibility of Cellular Licensees

12. Since the CDMA technology is available to cellular carriers, they have ample spectrum within their existing allocations to provide PCS-type services in all but the most congested markets. Furthermore, they have a strong incentive to absorb PCS allocations to inhibit competition. For these reasons, it seems appropriate to exclude cellular carriers from PCS licensing within their licensed areas. On the other hand, it is suggested that the "Cellular Option" per proposed Section 22.930 be approved to permit cellular carriers to provide PCS-type services within their presently authorized spectrum.

13. It is proposed that a maximum of 5 PCS licenses(5 MSAs) be permitted per licensee or group of affiliated interests. This would maximize the number of service providers which would appear to provide a greater benefit to the public than the economies of scale of greater accretions of licenses. This question should be revisited after a suitable period, probably ten years.

14. It is suggested that cellular MSAs be counted against that five. Other than that, cellular licensees would be free to hold PCS licenses outside of their cellular MSAs, up to a total of five counting both cellular and PCS.

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Eligibility of Local Exchange Carriers(LECs)

15. It appears that most LECs have cellular interests in their own MSAs, and so would be excluded on this basis from holding PCS licenses within their MSAs. If a LEC has no cellular interest, it should be permitted to file for a PCS allocation on the same basis as any other applicant, i.e., no preference.

16. However, the incentive for a LEC PCS to discriminate against other PCS licensees requires that complete structural separation be mandatory. This commenter believes that non-structural safeguards have been completely ineffective in preventing competitive abuses from LECs in similar situations such as voice mail. Structural separation is therefore considered to be imperative.

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17. The unlicensed Part 15 allocations seem to be the appropriate place for LECs to augment their wireline networks, i.e., in common with all other PCS-type service providers for the same local building/PBX-type systems. It does not appear appropriate to provide preference or separate allocation for this purpose.

Licensing

18. The problem of licensing in the PCS is not one of a scarcity of applicants, but judging from the 220 MHz situation, one of far too many. It is further suggested that there are ample prospective applicants within the ranks of the present wireline LEC, cellular, RCC, PCP, and cable communications industry. It is therefore suggested that applicants be restricted to those from entities currently licensed or engaged in these areas.

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19. It is to be noted that more than 59,000 applications for local licenses were filed in the 220 MHz proceeding where the per application filing fee was only \$35.00. Significantly fewer applications for IVDS licenses have been filed in the first group of major markets. This fact, Pass Word believes, is due in part to the steep filing fee of \$1400 per application. Speculators have thus been kept to a minimum if not eliminated. 5 MHz at 25 kHz per analog channel times \$35.00/channel would actually suggest a filing fee of \$7,000. Pass Word submits that in the PCS field, an application filing fee of \$3,500 to \$7,000 would be appropriate.

Respectfully submitted,

Pass Word, Inc.

By: 

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November 9, 1992